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**THE GOLD CREST
PRODUCTS LIMITED**



1971 ANNUAL REPORT

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THE

GOLD

CREST

PRODUCTS

LIMITED



INTERIM REPORT

FOR THE SIX MONTHS ENDED MAY 31, 1971

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INTERIM RESULTS

(SUBJECT TO YEAR-END ADJUSTMENT AND AUDIT)

EARNINGS

	FOR THE SIX MONTHS ENDED MAY 31, 1971 - MAY 31, 1970 (restated— note 1)	
SALES	\$2,313,409	\$1,634,915
OTHER INCOME	69,765	88,287
	<u>\$2,383,174</u>	<u>\$1,673,202</u>
EARNINGS BEFORE THE UNDERNOTED ITEMS	\$ 156,429	\$ 43,427
DEPRECIATION AND AMORTIZATION	43,925	32,500
INTEREST (including interest of \$2,305 on long-term debt; 1970 — \$3,042)	3,714	7,004
NET EARNINGS BEFORE INCOME TAXES	\$ 108,790	\$ 3,923
PROVISION FOR INCOME TAXES		
CURRENT	\$ 52,854	\$ —
DEFERRED	(1,310)	918
	<u>\$ 51,544</u>	<u>\$ 918</u>
NET EARNINGS	<u>\$ 57,246</u>	<u>\$ 3,005</u>
EARNINGS PER SHARE	<u>\$ 0.7</u>	<u>\$ 0.00</u>
AVERAGE NUMBER OF SHARES OUTSTANDING	<u>850,000</u>	<u>850,000</u>

SOURCE AND APPLICATION OF FUNDS

	FOR THE SIX MONTHS ENDED MAY 31, 1971 - MAY 31, 1970 (restated— note 1)	
SOURCE OF FUNDS		
FUNDS PROVIDED BY OPERATIONS		
NET EARNINGS	\$ 57,246	\$ 3,005
ADD—CHARGES NOT REQUIRING AN OUTLAY OF FUNDS		
DEPRECIATION AND AMORTIZATION	43,925	32,500
DEFERRED INCOME TAXES	(1,310)	918
	<u>\$ 99,861</u>	<u>\$ 36,423</u>
FUNDS FROM TRUST (note 2)	—	878,603
Total Funds Provided	\$ 99,861	\$ 915,026
APPLICATION OF FUNDS		
PURCHASE OF FIXED ASSETS	\$ 66,638	\$ 75,995
DIVIDENDS PAID	—	63,750
REDUCTION OF LOAN PAYABLE	9,000	9,000
	<u>\$ 75,638</u>	<u>\$ 148,745</u>
Total Funds Applied	\$ 75,638	\$ 148,745
INCREASE IN WORKING CAPITAL	\$ 24,223	\$ 766,281

NOTE 1. THE FIGURES FOR THE SIX MONTHS ENDED MAY 31, 1970 HAVE BEEN RESTATED TO GIVE EFFECT TO YEAR-END ADJUSTMENTS.

NOTE 2. THE SOURCE AND APPLICATION OF FUNDS STATEMENT FOR THE SIX MONTHS ENDED MAY 31, 1970 GIVES EFFECT TO THE RELEASE ON JUNE 26, 1970 OF THE TRUST FUNDS AMOUNTING TO \$878,603 BY THE GUARANTY TRUST COMPANY OF CANADA.

To the Shareholders

I am pleased to report that the first six months of the current fiscal year are bearing out the hopes indicated in the 1970 Annual Report. Net earnings of \$57,246 (7¢ per share) are already equal to the complete 1970 fiscal year. The sales of \$2,313,409 includes an increase of \$112,097 in the Gold Crest Division sales, or approximately 7% over the same period last year. In addition, the Futorian Division which had not commenced shipping during the 1970 comparable period achieved sales in excess of \$500,000 during the current period.

Included in the net earnings are interest and other income of \$69,765 from our investment subsidiary Crestgold Capital Limited, almost double the investment income for the 1970 period.

Orders on hand remain high and accordingly I expect that the furniture divisions will continue to operate at least as profitably for the remainder of the year although there is no assurance that investment income will remain at the same level. It is to be hoped that the results for the complete year will be most satisfactory.

July 22, 1971.

T. D. RICHMOND, President

THE
GOLD
CREST
PRODUCTS
LIMITED



Full year audit

INTERIM REPORT

FOR THE SIX MONTHS ENDED MAY 31, 1972

Full year audit
Set

To the Shareholders

The first six months of the 1972 fiscal year have been most rewarding for the company. The net earnings of \$167,784 or 20¢ per share are almost triple the comparable 1971 period. The gross revenue of \$3,642,087 represents an increase of 53% over the 1971 first half. In particular, the sales of the Futurian division more than doubled, confirming our original forecasts for this line of furniture.

During this period, a substantial amount of expense was incurred in connection with the preparation of the new plant on Caledonia Road which will allow for expansion of all the lines of furniture as well as the introduction of additional Futurian lines. In preparation for this new production, a number of employees have been involved in staff training programmes, again, with the expenses being written off during this period.

As announced previously, we have now signed agreements to acquire all of the shares of National Drapery Company Limited, a privately held company based in Toronto. National Drapery, which employs over 200 skilled craftsmen who manufacture, sell and install custom draperies in all parts of Ontario with seven-day delivery, has now embarked on a programme to expand its operations throughout Canada through its own outlets and through the facilities of major department stores. The initial stages of this expansion include a new outlet in Scarborough and marketing arrangements in Hamilton and Vancouver. The acquisition by Gold Crest will also provide over 1,000 retail outlets, through many of which the National Drapery merchandise can be marketed.

A shareholders' meeting has been called for August 10, 1972 to approve the creation of the preference shares which form part of the consideration for this acquisition. It is expected that closing of the acquisition will take place subsequent to the shareholders' meeting.

In addition to the preference shares, a payment of \$750,000 in cash will be made on closing and in order to provide these funds, the company has sold, by way of private placement, 110,000 shares to net the company \$770,000. This transaction was completed subsequent to May 31 and had no effect on the earnings per share calculations for the first six months.

With all of the furniture divisions now operating profitably and efficiently and with the addition of the National Drapery operation, I am confident that the results for the complete 1972 year will maintain the progress indicated by the first six months.

T. D. RICHMOND, President

July 12, 1972.

INTERIM RESULTS

(SUBJECT TO YEAR-END ADJUSTMENT AND AUDIT)

EARNINGS

	FOR THE SIX MONTHS ENDED MAY 31, 1972 - MAY 31, 1971	
GROSS REVENUE		
FURNITURE MANUFACTURING DIVISION	\$3,623,351	\$2,313,409
FINANCIAL AND INVESTMENT DIVISION	18,736	69,765
	<u>\$3,642,087</u>	<u>\$2,383,174</u>
EARNINGS BEFORE THE UNDERNOTED ITEMS	\$ 383,808	\$ 156,429
DEPRECIATION AND AMORTIZATION	49,350	43,925
INTEREST	5,469	3,714
	<u>54,819</u>	<u>47,639</u>
NET EARNINGS BEFORE INCOME TAXES	328,989	108,790
PROVISION FOR INCOME TAXES		
CURRENT	\$ 165,510	\$ 52,854
DEFERRED	(4,305)	(1,310)
	<u>\$ 161,205</u>	<u>\$ 51,544</u>
NET EARNINGS	<u>\$ 167,784</u>	<u>\$ 57,246</u>
EARNINGS PER SHARE	<u>\$.20</u>	<u>\$.07</u>
NUMBER OF SHARES OUTSTANDING	<u>850,000</u>	<u>850,000</u>

SOURCE AND APPLICATION OF FUNDS

	FOR THE SIX MONTHS ENDED MAY 31, 1972 - MAY 31, 1971	
SOURCE OF FUNDS		
FUNDS PROVIDED BY OPERATIONS		
NET EARNINGS	\$ 167,784	\$ 57,246
ADD:—CHARGES NOT REQUIRING AN OUTLAY OF FUNDS		
DEPRECIATION AND AMORTIZATION	49,350	43,925
DEFERRED INCOME TAXES	(4,305)	(1,310)
Total Funds Provided	<u>\$ 212,829</u>	<u>\$ 99,861</u>
APPLICATION OF FUNDS		
PURCHASE OF FIXED ASSETS	\$ 90,471	\$ 66,639
TAXES PAID TO CREATE TAX-PAID UNDISTRIBUTED SURPLUS	7,500	—
DIVIDENDS PAID OUT OF TAX-PAID UNDISTRIBUTED SURPLUS	42,500	—
REDUCTION OF LOAN PAYABLE	—	9,000
Total Funds Applied	<u>\$ 140,471</u>	<u>\$ 75,638</u>
INCREASE IN WORKING CAPITAL	<u>\$ 72,358</u>	<u>\$ 24,223</u>

NOTES:

- On March 14, 1972, the Company granted an option to the President of the Company to acquire 25,000 common shares at \$4.95 per share. On June 8, 1972, this option was exercised to the extent of 10,000 shares. The option with respect to the remaining 15,000 shares expires March 13, 1977.
- On June 20, 1972, the Company issued 110,000 common shares, by way of private placement, for a cash consideration of \$770,000 (after deduction of agent's commission of \$27,500).
- By Agreement dated June 29, 1972, the Company agreed to purchase all of the issued and outstanding shares of the capital stock of National Drapery Company Limited for an aggregate purchase price of \$1,500,000. Of this amount, \$750,000 is to be paid in cash on closing, and the balance of \$750,000 is to be satisfied by the issuance, by the Company, of 75,000 preference shares with a par value of \$10.00 each. These preference shares are to be redeemable, non-voting and are entitled to share equally with the common shares with respect to payment of dividends. The Agreement further provides that these preference shares are to be redeemed at par in annual instalments, such instalments to be equivalent to 60% of the net earnings of National Drapery Company Limited for each fiscal year of that company commencing with its 1973 fiscal year.

ANNUAL REPORT 1971

THE GOLD CREST PRODUCTS LIMITED

Letter from the President

To The Shareholders:

It is gratifying to report that new records were established in the fiscal year ended November 30, 1971, with an increase of 37% in sales to \$5,403,787, and an increase of almost 250% in earnings to \$201,383 or 24¢ per share compared with \$57,772 or 7¢ per share in 1970.

I am particularly pleased with the increase in production which we were able to achieve including our recently introduced Futorian line.

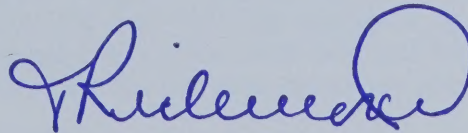
I would like to express my great appreciation to Mr. Lionel McGowan and Mr. Nathan Perlmutter, both of whom have been directors of the Company since our shares were first offered to the public. They have resigned due to the pressure of personal commitments. I am happy to announce that the new directors elected during the year include Mr. Stanley J. Randall, former Minister of Trade and Development for the Province of Ontario, Mr. Donald Wilkins, Chairman of Fry & Company, investment dealers, and Mr. David M. Perlmutter, B.Comm., C.A. These gentlemen will undoubtedly be of great assistance in providing guidance in conducting the business of the Company. Mr. Randall has also been elected Chairman of the Board of Directors of our Company.

Your directors have declared a tax-free dividend of 5¢ per share, payable to shareholders of record as at February 15, 1972. This dividend is being paid pursuant to the provisions of the new Income Tax Act and, accordingly, will not be taxable in the hands of shareholders.

The past year has been an eventful one for the Company. Noteworthy results were attained during a year in which the Canadian economy only slightly recovered from the downturn of the previous two years. We hope that with a continuing resurgence of business, 1972 will prove to be a year of continued growth.

I would like to express my deep appreciation to all of our customers, shareholders, management and employees for their loyal co-operation during the year.

On behalf of the Board,
THEODORE D. RICHMOND, President



Toronto, Canada, February 10, 1972

Financial Summary

Year Ended November 30	1971	1970	1969	1968	1967	1966	1965(2)	1964(2)
Gross Revenue	\$5,403,787	\$3,936,789	\$3,441,154	\$3,231,832	\$2,348,854	\$1,604,029	\$1,417,782	\$1,447,153
Earnings (loss) before the undernoted items	488,286	189,830	309,193	402,314	161,209	80,032	(141,189)	(64,644)
Depreciation and amortization	89,286	74,687	53,025	33,628	15,560	12,070	9,066	7,869
Interest	7,882	14,316	16,988	15,888	14,175	14,476	48,354	15,309
Income taxes	189,735	43,055	125,141	176,303	58,419	18,301	(93,127)	(33,666)
Net earnings (loss)	201,383	57,772	114,039	176,495	73,055	35,185	(105,482)	(54,156)
Earnings (loss) per share	24¢	7¢	16¢	32¢	13¢	6¢	(19¢)	(10¢)
Average number of shares outstanding during year	850,000	850,000	720,959	550,000(1)	550,000(1)	550,000(1)	550,000(1)	550,000(1)

(1) After restating the number of shares outstanding.

(2) Although the company was not incorporated prior to November 30, 1965 the restated operating results for the 1964 and 1965 fiscal years are included for comparative purposes.

Auditors' Report

TO THE SHAREHOLDERS,
THE GOLD CREST PRODUCTS LIMITED.

We have examined the consolidated balance sheet of The Gold Crest Products Limited and wholly owned subsidiaries as at November 30, 1971 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at November 30, 1971 and the results of their operations and source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 13, 1972.

"PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & CO."
Chartered Accountants.

Earnings and Retained Earnings

THE GOLD CREST PRODUCTS LIMITED AND WHOLLY OWNED SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED NOVEMBER 30, 1971 WITH 1970 COMPARISONS

EARNINGS	1971	1970
GROSS REVENUE		
Furniture manufacturing divisions	\$5,313,242	\$3,874,415
Financial and investment division	90,545	62,374
	<u>\$5,403,787</u>	<u>\$3,936,789</u>
EARNINGS BEFORE THE UNDERNOTED ITEMS	\$ 488,286	\$ 189,830
Less — Depreciation and amortization	\$ 89,286	\$ 74,687
— Interest (including long-term interest of \$3,781; 1970 — \$5,755)	7,882	14,316
	<u>\$ 97,168</u>	<u>\$ 89,003</u>
NET EARNINGS BEFORE INCOME TAXES	\$ 391,118	\$ 100,827
Provision for income taxes		
Current	\$ 184,991	\$ 30,843
Deferred	4,744	12,212
	<u>\$ 189,735</u>	<u>\$ 43,055</u>
NET EARNINGS	<u>\$ 201,383</u>	<u>\$ 57,772</u>
EARNINGS PER SHARE	24¢	7¢
NUMBER OF SHARES OUTSTANDING	<u>850,000</u>	<u>850,000</u>

RETAINED EARNINGS	1971	1970
BALANCE — Beginning of year	\$ 278,395	\$ 284,373
Add — Net earnings for the year	201,383	57,772
	<u>\$ 479,778</u>	<u>\$ 342,145</u>
Less — Dividends paid	—	63,750
BALANCE — End of year	<u>\$ 479,778</u>	<u>\$ 278,395</u>

The accompanying notes form an integral part of these financial statements.

Balance Sheet

THE GOLD CREST PRODUCTS LIMITED AND WHOLLY OWNED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS AT NOVEMBER 30, 1971
WITH 1970 COMPARISONS

ASSETS	1971	1970
CURRENT		
Cash and deposit receipt	\$ 306,684	\$ 600,000
Accounts receivable	1,037,216	867,620
Inventories — at the lower of cost or net realizable value (note 2)	737,112	583,838
Loans receivable (note 3)	300,000	—
Income taxes refundable	—	12,638
Prepaid expenses and sundry assets	<u>72,926</u>	<u>53,451</u>
	\$2,453,938	\$2,117,547
FIXED ASSETS (note 4)	<u>539,419</u>	<u>512,209</u>
TOTAL ASSETS	\$2,993,357	\$2,629,756

Approved on behalf of the Board:

S. J. RANDALL, *Director*

T. D. RICHMOND, *Director*

LIABILITIES	1971	1970
CURRENT		
Bank indebtedness	\$ —	\$ 51,794
Accounts payable and accrued	813,361	699,206
Current portion of long-term loan payable	—	18,000
Income taxes payable	<u>155,113</u>	<u>—</u>
	\$ 968,474	\$ 769,000
LONG-TERM		
Loan payable — Industrial Development Bank — 8.3%	—	42,000
DEFERRED INCOME TAXES	<u>71,202</u>	<u>66,458</u>
TOTAL LIABILITIES	<u>\$1,039,676</u>	<u>\$ 877,458</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 1,500,000 shares without par value; issued and outstanding, 850,000 shares	\$1,461,753	\$1,461,753
RETAINED EARNINGS	479,778	278,395
SURPLUS ARISING ON REVALUATION OF FIXED ASSETS (note 4)	<u>12,150</u>	<u>12,150</u>
	<u>\$1,953,681</u>	<u>\$1,752,298</u>
	<u>\$2,993,357</u>	<u>\$2,629,756</u>

The accompanying notes form an integral part of these financial statements.

Funds

THE GOLD CREST PRODUCTS LIMITED AND WHOLLY OWNED SUBSIDIARIES
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 1971 WITH 1970 COMPARISONS

SOURCE OF FUNDS	1971	1970
FUNDS PROVIDED BY OPERATIONS		
Net earnings for the year	\$ 201,383	\$ 57,772
Add — Charges not requiring an outlay of funds		
Depreciation and amortization	89,286	74,687
Deferred income taxes	4,744	12,212
	<u>\$ 295,413</u>	<u>\$ 144,671</u>
Release of funds held in trust arising from 1969 share issue	<u>—</u>	<u>878,603</u>
<i>TOTAL FUNDS PROVIDED</i>	<u>\$ 295,413</u>	<u>\$1,023,274</u>

APPLICATION OF FUNDS	1971	1970
PURCHASE OF FIXED ASSETS	\$ 116,496	\$ 125,878
DIVIDENDS PAID	—	63,750
REDUCTION OF LOAN PAYABLE	42,000	18,000
<i>TOTAL FUNDS APPLIED</i>	<u>\$ 158,496</u>	<u>\$ 207,628</u>
INCREASE IN WORKING CAPITAL	<u>\$ 136,917</u>	<u>\$ 815,646</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1971

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and two wholly owned subsidiaries.

2. INVENTORIES	1971	1970
Raw materials	\$394,417	\$277,634
Work in process	198,789	138,763
Finished goods	143,906	167,441
	<u>\$737,112</u>	<u>\$583,838</u>

3. LOANS RECEIVABLE

These interest-bearing loans consist of an amount of \$200,000 due on demand from a company and its subsidiary in which a director and officer of the Company has a material financial interest, and an amount of \$100,000 due on thirty days notice from a company in which another director of the Company has a material financial interest.

4. FIXED ASSETS	1971	1970
Machinery and equipment	\$582,235	\$492,796
Leasehold improvements	156,300	144,639
Vehicles	36,454	30,462
Office furniture and fixtures	29,704	29,300
Electric sub-station	25,218	25,218
	<u>\$829,911</u>	<u>\$722,415</u>
Less —		
Accumulated depreciation	<u>290,492</u>	<u>210,206</u>
	<u>\$539,419</u>	<u>\$512,209</u>

The fixed assets are stated at cost less accumulated depreciation except for certain assets acquired from a predecessor company. The book value of these assets has been restated to reflect the original cost of these assets to the predecessor company less accumulated depreciation taken from the date of acquisition by the predecessor company. The excess of this restated value over their cost to the Company, less deferred income taxes applicable thereto, has been included on the balance sheet as Surplus Arising on Revaluation of Fixed Assets in the amount of \$12,150.

5. LONG-TERM LEASES

The aggregate minimum annual rentals payable under existing long-term leases expiring in 1978 and 1979 amount to \$110,100.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid for the year ended November 30, 1971 by the Company and its subsidiaries to directors and senior officers of the Company amounted to \$104,296 (1970 - \$91,285).

THE GOLD CREST PRODUCTS LIMITED

Officers

S. J. Randall, *Chairman of the Board*

T. D. Richmond, *President*

K. Gross, *Vice-President*

B. D. Loftus, *Secretary*

Directors

K. H. Gross

D. Perlmutter

S. J. Randall

T. D. Richmond

D. J. Wilkins

Auditors

Perlmutter, Orenstein, Giddens,
Newman & Co.

General Counsel

Loftus & Fleischmann

Head Office

920 Caledonia Road
Toronto, Ontario

Registrar and Transfer Agent

Guaranty Trust Company of Canada

